

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05
CEA-01 HA-05 L-03 /087 W
-----091914 231435Z/50

R 210940Z NOV 77

FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 1909
INFO AMCONSUL ALEXANDRIA
AMEMBASSY DAMASCUS
AMEMBASSY JIDDA

CONFIDENTIAL SECTION 01 OF 02 CAIRO 19360

E.O. 11652: GDS
TAGS: EINV, ETRD, EG
SUBJECT: FORD INVESTMENT PROJECT

REF: (A) CAIRO 18312; (B) CAIRO 18014

1. SUMMARY FORD REP. OUROUSSOFF TELLS US THAT GOE
BOYCOTT OFFICE CHIEF AMIN ATTA HAS EXPRESSED POSITIVE
VIEW OF FORD PROJECT BUT HAS URGED COMPANY "SHOW ITS
SERIOUSNESS" ABOUT PROCEEDING WITH VENTURE. OUROUSSOFF
CONCERNED THAT COMPANY APPEARS BE DRAGGING ITS FEET
PENDING RESOLUTION OF BOYCOTT ISSUE. GOE/FORD MEETING PLANNED
FOR DETROIT IN DECEMBER TO DISCUSS APPROACHES TO OTHER
INVESTORS. NASCAR CHAIRMAN GAZARIN NO LONGER INVOLVED
IN FORD PROJECT. TOO SOON TO ASSESS EFFECT, IF ANY, OF
FAHMY RESIGNATION ON FORD AND OTHER PROJECTS
INVOLVING BOYCOTTED FIRMS. END SUMMARY.

2. FORD REP. OUROUSSOF CALLED AT EMBASSY NOVEMBER 17,
PRIOR HIS DEPARTURE FOR CONSULTATIONS AT COMPANY HEADQUARTERS
IN U.S. IN DISCUSSION WITH EMBOFFS, OUROUSSOF RECOUNTED RECENT
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CONVERSATION HE HAD HAD WITH GOE BOYCOTT OFFICE
HEAD GENERAL AMIN ATTA. ATTA EXPRESSED VERY
POSITIVE VIEW OF FORD PROJECT AND SAID THAT MORE THAN ONE
ONE YEAR AGO HE HAD SUBMITTED FAVORABLE REPORT ON FORD
TO GOE, NOTING THAT COMPANY HAD NO ACTUAL INVESTMENT
IN ISRAEL AND SAYING THAT IMPOSITION OF BOYCOTT
HAD BEEN A "MISTAKE". ATTA TOLD OUROUSSOF HE HAD

RECENTLY DISCUSSED WITH GOE FOREIGN MINISTRY QUESTION OF ADMITTING FORD PRODUCTS INTO EGYPT, ARGUING THAT IT WAS UNREASONABLE TO EXCLUDE THEM NOW THAT JOINT VENTURE AGREEMENT SIGNED. FOREIGN MINISTRY HAD TOLD ATTA IT WOULD GIVE HIM REPLY IN ONE WEEK. (OUROUSOFF HAS ALSO RAISED WITH KAISSOUNI THE QUESTION OF ADMITTING 15 FORD VEHICLES FOR USE BY COMPANY OFFICIALS COMING HERE TO WORK ON PROJECT, BUT KAISSOUNI HAS NOT YET MADE DECISION ON MATTER.)

3. OUROUSOFF SAID ATTA REFERRED TO BOYCOTT COMMISSIONER GENERAL MAHGOUB IN COLORFUL AND STRONGLY NEGATIVE TERMS, CALLING HIM "ILLITERATE", "A MAN WHO HATES ME", "COMMUNIST", AND, "ANTI-AMERICAN". ATTA SAID MAHGOUB WOULD ONLY BE IN OFFICE ONE MONTH LONGER. SITE OF DECEMBER BOYCOTT COMMITTEE MEETING, ATTA SAID, HAS NOT YET BEEN FINALLY DETERMINED.

4. ACCORDING OUROUSOFF, ATTA BROUGHT UP SUBJECT OF SALES OF JOINT VENTURE PRODUCTS IN ARAB WORLD, AND SAID HE FULLY UNDERSTOOD PROJECT WOULD NOT BE VIABLE UNLESS ARAB MARKETS WERE OPENED. ATTA MADE STRONG POINT, HOWEVER, THAT COMPANY MUST "SHOW ITS SERIOUSNESS" ABOUT PROJECT, DESPITE FACT THAT BOYCOTT ISSUE NOT YET RESOLVED. OUROUSOFF SAID HE HIMSELF WAS CONCERNED THAT ALTHOUGH SOME WORK WAS BEING DONE ON FINANCING

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ASPECT OF PROJECT (SEE PARA. 6 BELOW), HE HAS IMPRESSION (SHARED BY GOE) THAT FORD WAS NOT PURSUING IMPLEMENTATION AS VIGOROUSLY AS IT MIGHT. FORD REPS HAD EARLIER SPOKEN OF SENDING IN TEAMS OF PLANNERS AND ENGINEERS WITHIN DAYS AFTER AGREEMENT WAS SIGNED, BUT LITTLE HAS BEEN DONE IN ALMOST THREE WEEKS SINCE SIGNATURE CEREMONY. FROM COMPANY'S PERSPECTIVE, DESPITE FACT THAT BOYCOTT NOT MENTIONED IN AGREEMENT, PLANNED PROJECT WILL NOT BE VIABLE UNLESS PRODUCTS OF JOINT VENTURE CAN BE SOLD IN ARAB MARKETS AND FIRM IS CONCERNED ABOUT MOVING AHEAD TOO RAPIDLY WHILE BOYCOTT ISSUE REMAINS UNRESOLVED. (OUROUSOFF THINKS COMMENTS BY BOYCOTT COMMISSIONER GENERAL MAHGOUB (REF) HAVE PROBABLY HAD IMPORTANT ROLE IN INCREASING ANXIETY OF DETROIT ABOUT THIS QUESTION,) OUROUSOFF FEELS THERE IS MUCH THE COMPANY CAN DO TO HELP ASSURE GOE OF ITS "GOOD FAITH" WITHOUT TAKING UNDUE FINANCIAL RISK. IT COULD, FOR EXAMPLE, SEND IN TEAMS OF SITE SURVEYORS AND ENGINEERS, OR DEPOSIT IN EGYPTIAN BANK A PORTION OF ITS SHARE OF THE CAPITAL. HE INTENDS URGE GREATER DEMONSTRATION OF "SERIOUSNESS" BY COMPANY DURING DISCUSSION AT HEADQUARTERS.

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C O N F I D E N T I A L SECTION 02 OR 02 CAIRO 19360

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5. RE GOE PLANS ON FORD PROJECT, OUROUSSOFF SAID
INVESTMENT AUTHORITY DEPUTY GAMAL EL-NAZER HAD JUST
TOLD HIM OF DECISION BY MININD HILAL THAT NASCAR
CHAIRMAN GAZARIN, WHO WAS DEEPLY INVOLVED IN FORD
NEGOTIATIONS, WILL NO LONGER HAVE ANY RESPONSIBILITIES
IN CONNECTION WITH PROJECT. OUROUSSOFF NOTED APPARENT
CONTRAST BETWEEN THIS ACTION AND HILAL'S PRAISE OF
GAZARIN AT MEETING WITH FORD REPS AFTER SIGNATURE
CEREMONY (SEE REF B). EL-NAZER ALSO TOLD OUROUSSOFF
THAT GOE HAD DECIDED NASCAR WOULD HOLD ONLY 20 PERCENT
OF GOE'S SHARE (40 PERCENT) OF JOINT VENTURE EQUITY. REMAINING
PORTION WOULD BE DIVIDED AMONG BANKS AND INSURANCE
COMPANIES. OUROUSSOFF NOTED THAT FORD WOULD NOT
BE DISPLEASED ABOUT REDUCTION OF NASCAR ROLE IN
PROJECT, SINCE THERE HAD LONG BEEN CONCERN ABOUT
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FACT THAT NASCAR HAD SO MANY CONNECTIONS WITH FORD COMPETITORS SUCH AS FIAT, DEUTZ, AND MASSEY FERGUSON.

6. FORD WANTS HOLD MEETING WITH GOE OFFICIALS IN DETROIT ON DECEMBER 19 AND OUROUSOFF SAID HE CONVEYED INVITATION TO MINECON EL SAYEH AND TO EL-NAZER DURING NOVEMBER 17 MEETING WITH LATTER. EL-NAZER ACCEPTED FOR HIMSELF, BUT SAID MINISTER WOULD NOT BE ABLE TO GO. PURPOSE OF MEETING IS TO HAVE FORD AND GOE WORK OUT DETAILS OF APPROACH TO POTENTIAL ARAB INVESTORS.

7. COMMENT. GOE AND FORD OBVIOUSLY EYEING EACH OTHER'S INTENTIONS WITH SOME SUSPICION. HOPEFULLY DECEMBER MEETING IN DETROIT WILL HELP STIMULATE GREATER MUTUAL CONFIDENCE. GOE PLANS FOR HANDLING BOYCOTT ISSUE ALMOST CERTAIN TO BE DISCUSSED, SINCE THEY ARE LIKELY BE AT FOREFRONT OF CONCERNS WHICH PROSPECTIVE INVESTORS WILL HAVE. RESIGNATION OF FONMIN FAHMY, WHO PLAYED PART IN GOE BOYCOTT COUNCILS, MAY HAVE SOME IMPACT ON FORD AND OTHER PROJECTS INVOLVING BOYCOTTED FIRMS, BUT IT IS TOO SOON TO KNOW WHAT, IF ANYTHING, THE EFFECT WILL BE.

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